

The Defense Logistics Ag



**Ms. Kathy Cutler
TACOM/Industry
Symposium
March 17, 2004**



Agenda

- DLA Overview
- Performance Review
- Army RESET Support
- Supply Chain Integration
- DLA Transformation
- Business Systems Modernization
- Summary



DLA Vision...

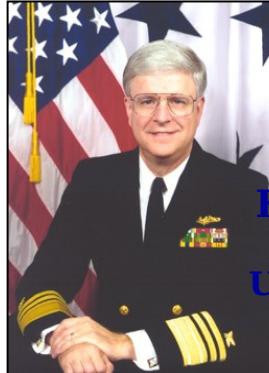
- Right Item, Right Time, Right Place, Right Price, Every Time...
- Best Value Solutions For America's Warfighter



Defense Logistics Agency

SPECIAL STAFF

DIRECTOR
VICE



DLA Director
Vice Admiral
Keith W. Lipper
Supply Corps,
United States Navy



Vice Director
Major General
Mary Saunders
United States
Air Force

DIRECTOR

DLA SUPPORT SERVICES

J-1 HUMAN RESOURCES

J-3 LOGISTICS OPERATIONS

J-4 CUSTOMER OPERATIONS & READINESS

J-6 INFORMATION OPERATION

J-8 FINANCIAL OPERATIONS

J-9 JOINT RESERVE

DSCC

DSCR

DSCP

DESC

DDC

DRM
S

DNSC

DLA-P

DLA-E

DAPS
DLIS



The DLA Enterprise

FY02 Sales/Services:

\$21.5B

FY03 Sales/Services:

\$25B

● **Troop Support:** \$10.2B

● **Energy:** \$5.2B

● **Distribution:** \$2.2B

● **Other:** \$1.4B

Foreign Military Sales

● Sales: \$7.15B

● Shipments: 580K

● Supporting 124 Nations

Scope of Business

- 8,200 Contracts/Day
- #65 Fortune 500 - Above New York City
- #2 in Top 50 Distribution Warehouses
- 22 Distribution Depots
- 4.6 Million NSNs
- 24.7M Annual Receipts & Issues
- 1312 Weapon Systems Supported
- 147.7M Net Barrels Fuel Sold (1999)
- \$12.5B Annual Reutilizations/Diversion

People

- 21,433 Civilians
- 522 Active Duty Military
- 618 Reserve Military
- Located in 48 States/28 Countries



Focused on Customer

- **Combatant Command Liaison Officers:**
 - **Inside Joint Staff J4, EUCOM, PACOM, CENTCOM, TRANSCOM, SOUTHCOM/STRATCOM, JFCOM & NORTHCOM**
 - **Provides J-4 with Planning, Contingency, and Single Point of Contact for DLA Logistics Support**
- **DLA Contingency Support Teams**
 - **Deploys with Force as Requested by Combatant Commanders**
 - **Bosnia, Kosovo, Croatia, Kuwait, Iraq, and Uzbekistan Today**
 - **Provides On Site DLA Logistics, Asset Visibility Support**
- **Customer Engagement Strategy**
 - **National Account Managers/Customer Account Managers**

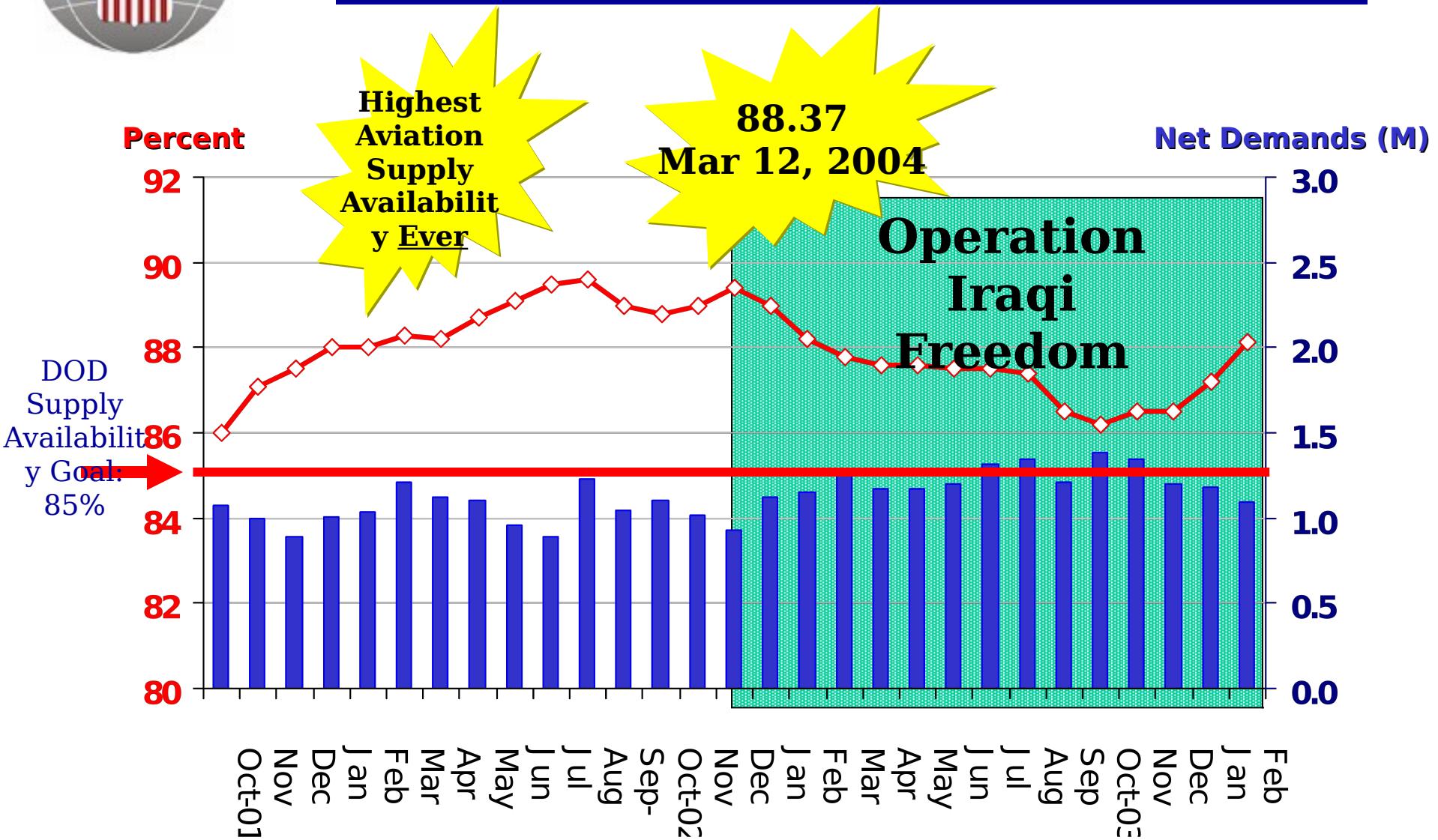


Lead Center Concept



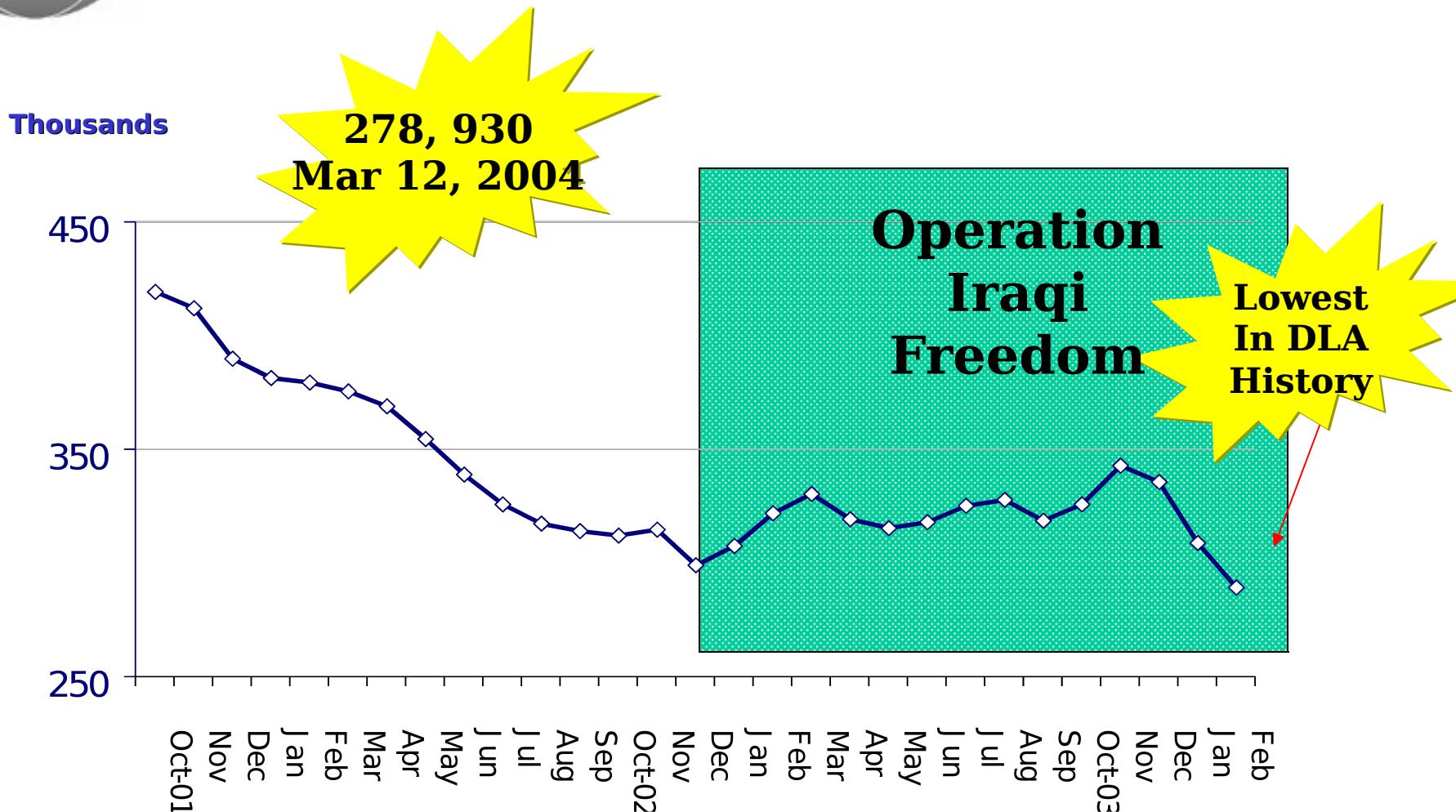


Supply Availability Hardware Total





Backorders - Hardware Total

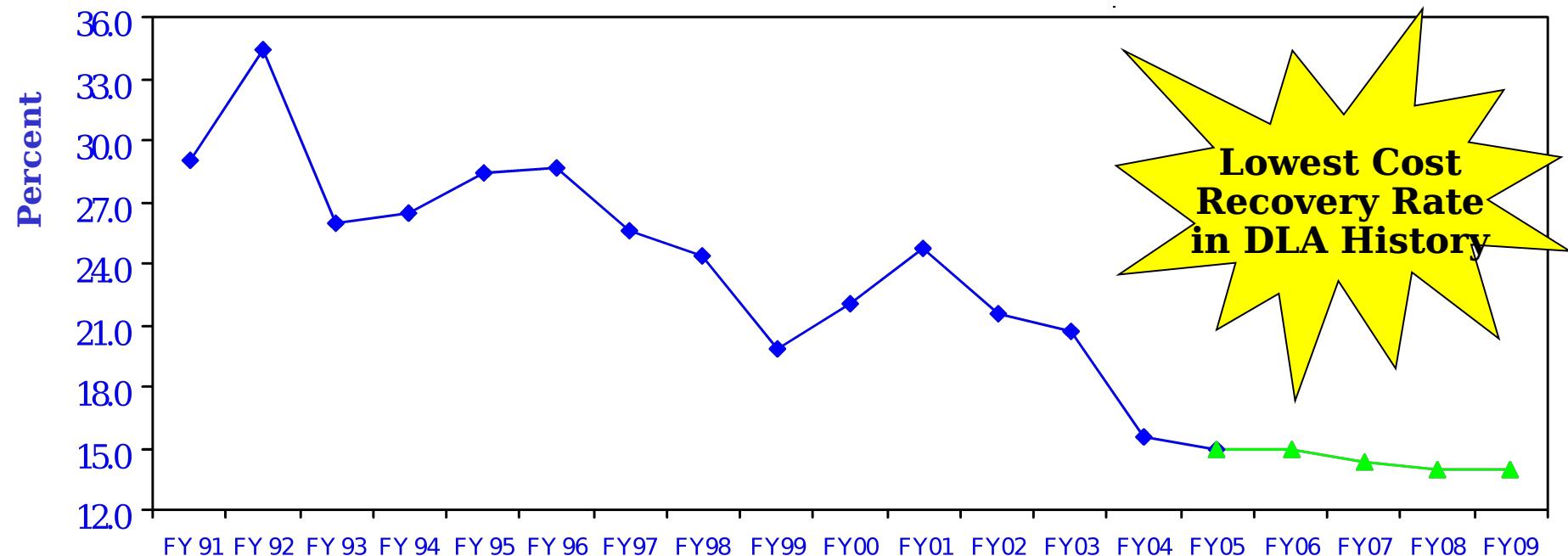




Cost Recovery Rates Over Time

CRR %

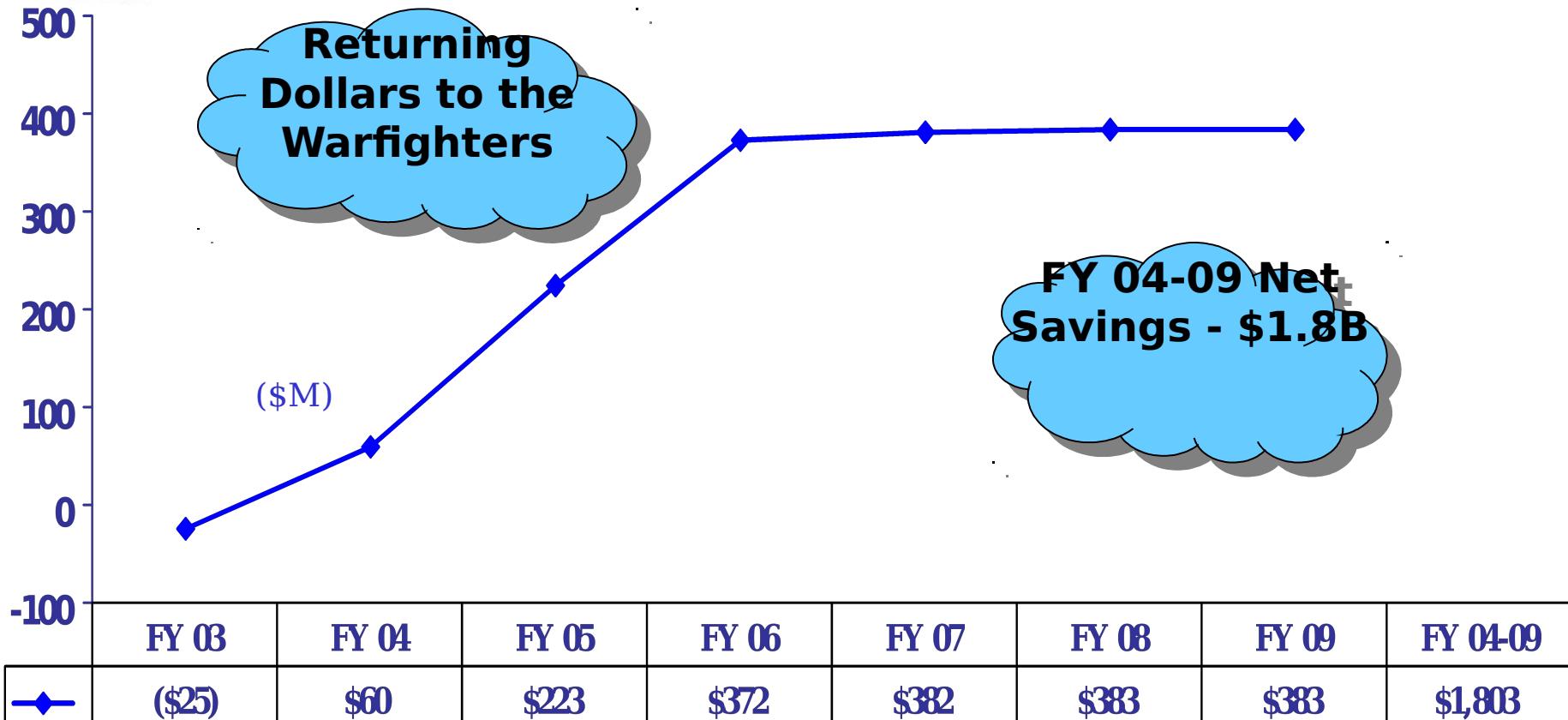
(Operating Costs as a Percentage of Total Sales)



Savings Returned to Warfighter



Returning Dollars To The Warfighters



Competitive Sourcing
Business Systems Modernization
Customer Relationship Management
Commerce Near-Terms Investment...Long-Term Savings

Shift to



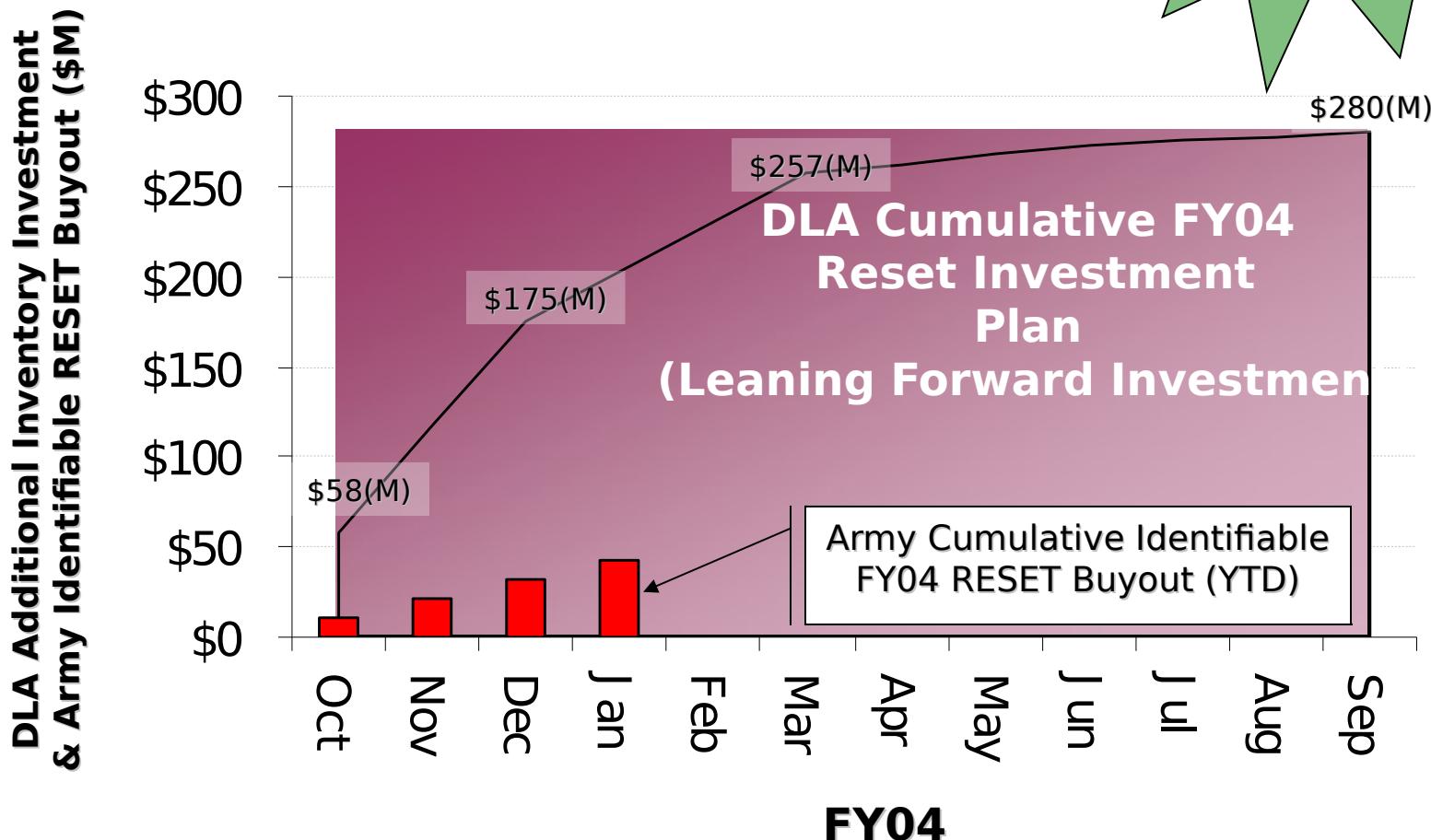
Support to Army Weapons Systems & RESET

- **Bought \$1B in Advance Buys for OIF**
 - Examples... Tents, JLIST, MREs, Construction Materiel, & Repair Parts
- **Received Obligation Authority (OA) for RESET and OIF/OEF II & III (New Normal)**
 - Parts On Order or Delivering Now
- **Close Alignment Ongoing with Army**
 - ILAP... “Same Sheet of Music”
 - Richmond (DSCR) Aligned with AMCOM
 - Columbus (DSCC) Aligned with TACOM

**DLA Totally Committed to Supporting
RESET**



DLA Additional Investment in RESET



Supply Chain Integration



Supply Chain Integration Vision

DLA TODAY



Suppliers

DLA Wholesale

One Site/
Many Customers



Service Intermediate Inventories

One Site/
One Customer



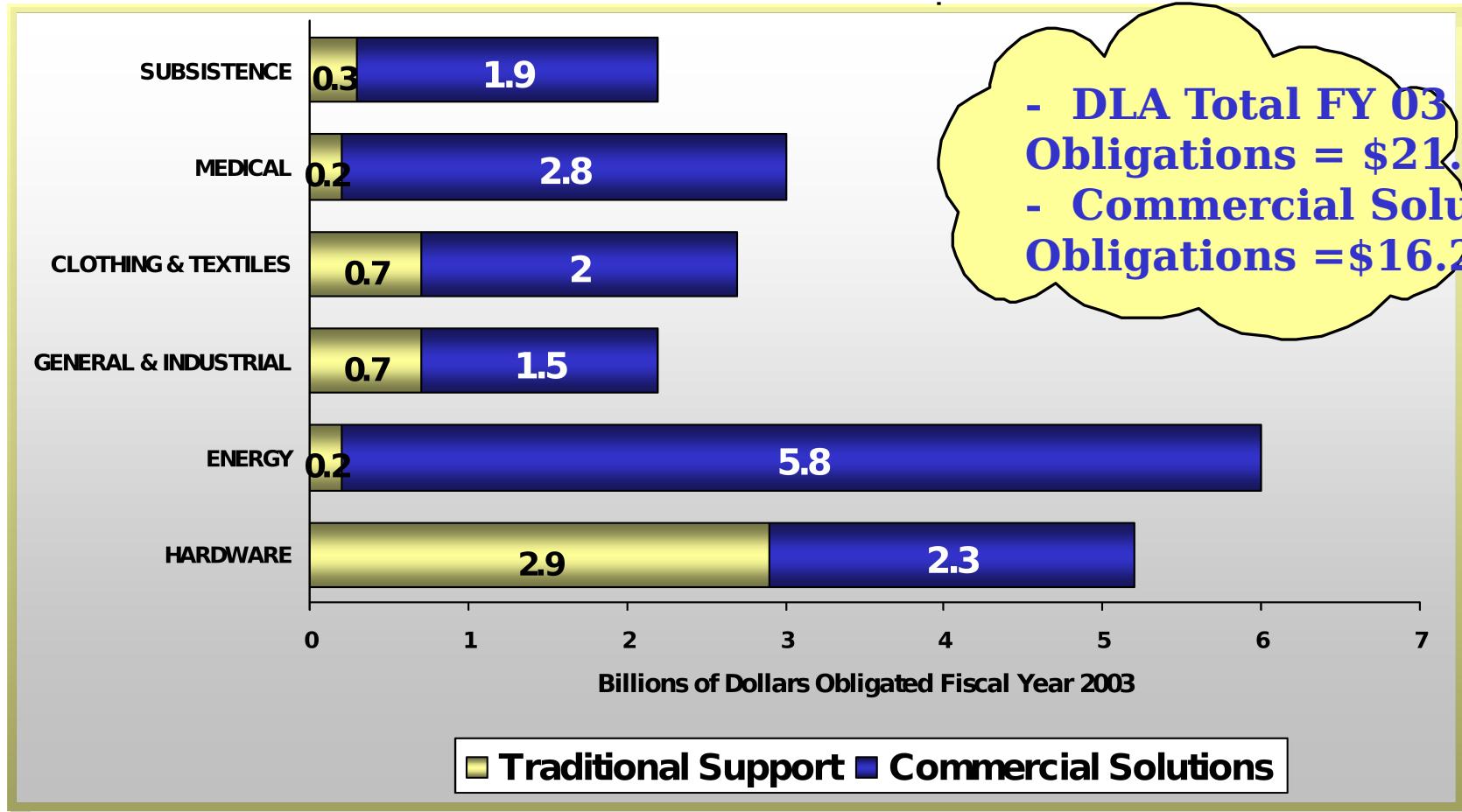
End-Use Customer

DLA TOMORROW

Cover The Entire Supply Chain...
Manage Suppliers With Weapon
Systems Focus



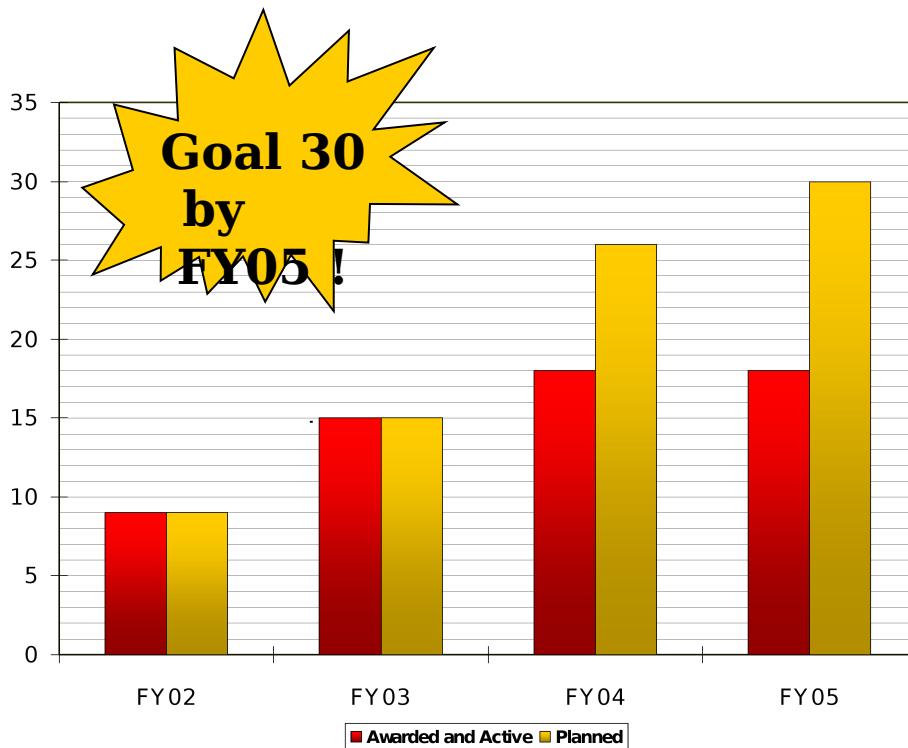
DLA Logistics Enterprise Commercial Solutions



Long Term Performance Based



Strategic Supplier Alliances Overview



DoD IG Mar 2002 Final Report On Honeywell FY00 SSA Contract Award

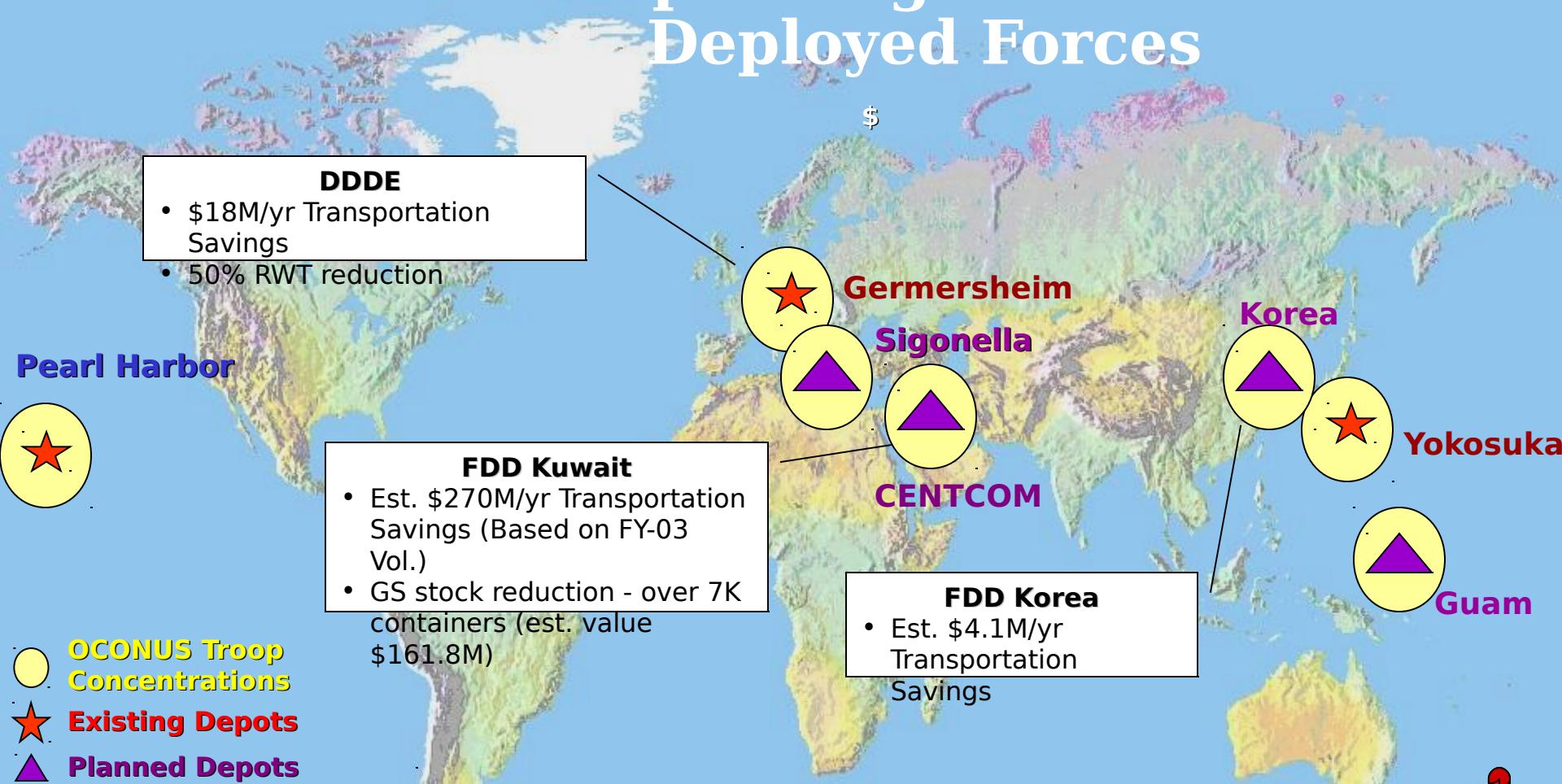
- Customer Prices Will Be Reduced \$59M Over The 12 Year Contract For The First 594 Items
- \$13.9M Inventory Levels For First 221 Items Already Reduced By \$9.8M And Will Be Reduced To Almost Nothing As Inventory Levels Depleted For Catalog Items

Value Proposition for Partners Based on Achieving Improved Readiness at Lower Cost



Distribution Support Services

Deployed Forces



Sites and Items Selected
Based On Customer
Requirements And
Business Case Analysis

**50% Lower Requisition Wait Time!
Saves Transportation Costs (Shifting Air to Surface)**

A large, semi-transparent American flag serves as the background for the title. The stars are in the upper left corner, and the red and white stripes run diagonally across the frame. In the bottom foreground, there is a dark, silhouetted group of people.

The Transformation



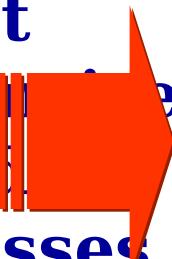
DLA TOMORROW... What We Are Going

TOP

FY 03-09

Characteristics:

Light and Agile
Smaller Footprint
Information Intensive
Knowledge Based
Integrated Processes
Collaboration
Service Oriented
Proactive



Transformation Plan:

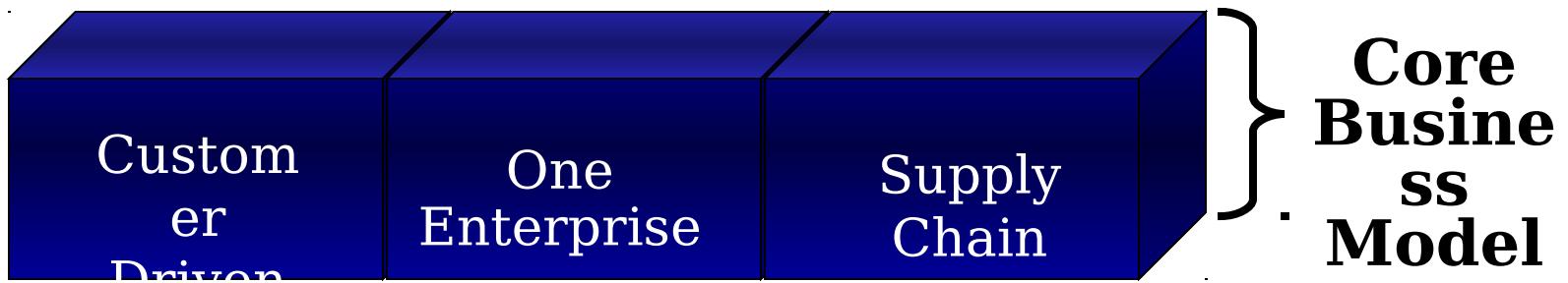
Business Systems Modernization
Customer Relationship Management
End to End Supply Chain Integration
Distribution Planning
Supplier Relationship Management



Transformation Strategy

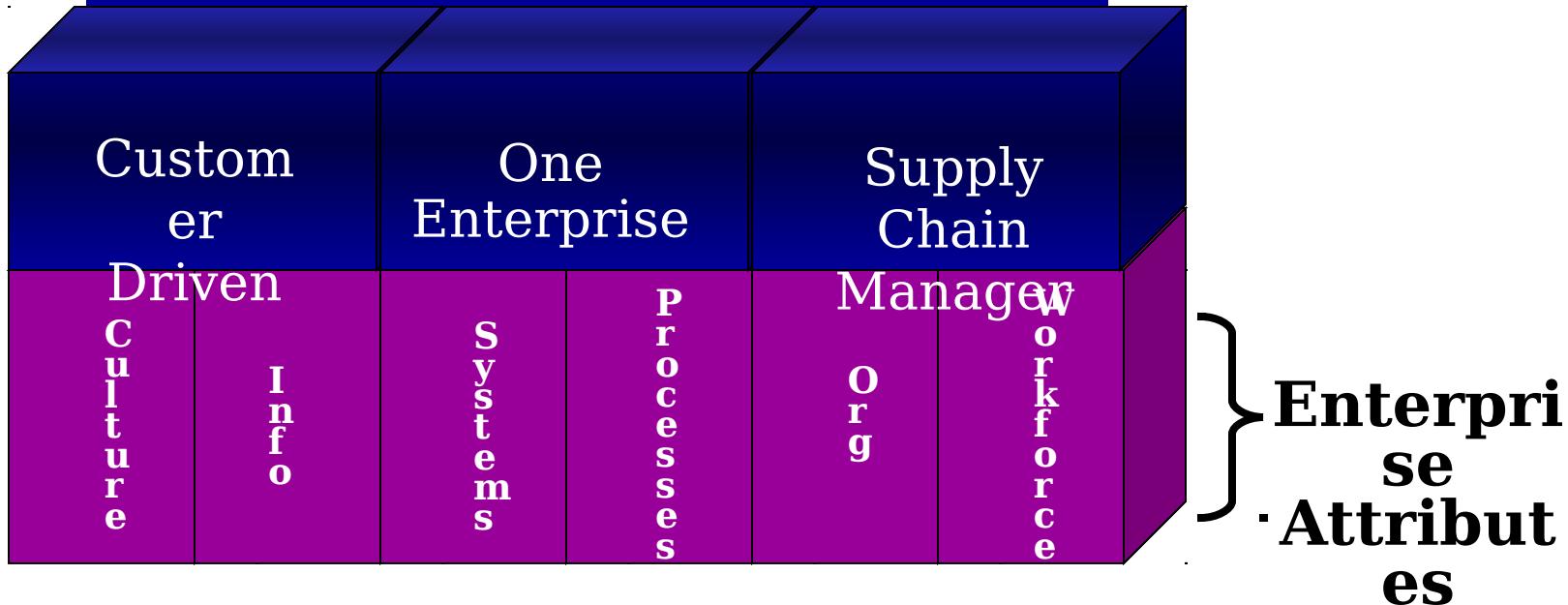
- **9 Major Transformational Initiatives**
- **\$1 Billion+ Investment Committed**
- **\$1.8 Billion Net Savings Committed for Return to the Services**
- **Agency's Core Business Model**
 - Support to Services - Driven by *Future Requirements*
 - Suppliers - Manager and Integrator
 - Supply Chains - Effective, Efficient and Seamless Partner
- **End-to-End Internal Overhaul**
- **Collaborating with Services,**

Transformation View from 100,000'



Transformation

View from 100,000'



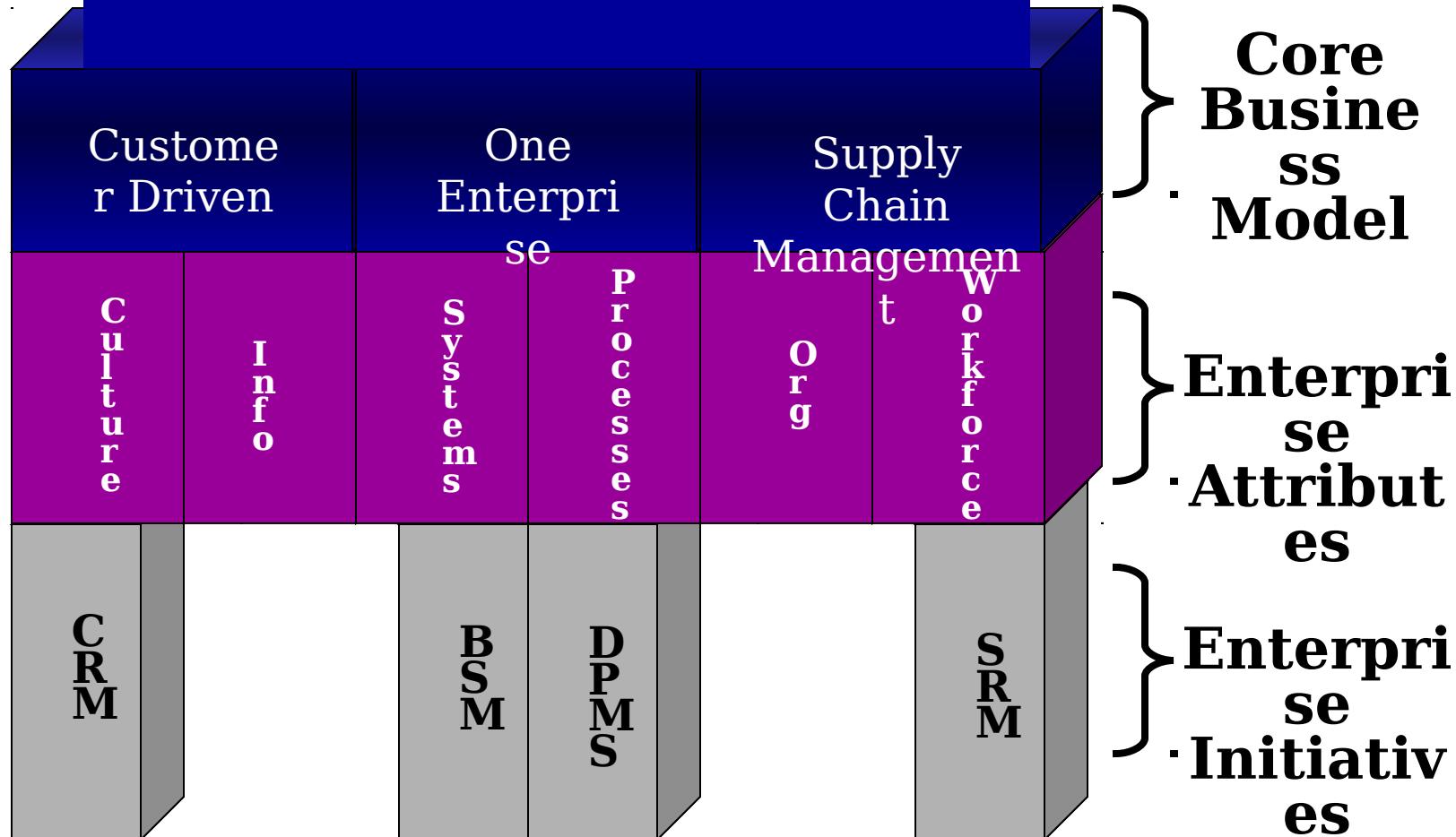


The Transformation - Key Initiatives

- **Customer Relationship Management, ... CRM**
 - Processes, tools and people to, ...
 - Move from transaction based to partner relationships
- **Supplier Relationship Management, ... SRM**
 - Strategic Material Sourcing
 - Long term contracts for 500,000 business driver line items
 - Strategic Supplier Alliances
 - Partnering relationships with 32 critical suppliers
 - Extending transactional relationships to partnerships
- **Business Systems Modernization, ... BSM**
 - End-to-end ERP
 - Order fulfillment, Planning, Tech/Quality, Procurement, Financial
- **Distribution Planning and Management System (DPMS)**
 - Robust transportation and warehouse optimization
 - Global decision making & management for 22 depots

Transformation

View from 100,000'



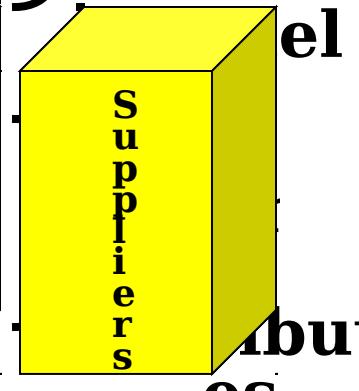
Transformation

View from 100,000'

Transformi

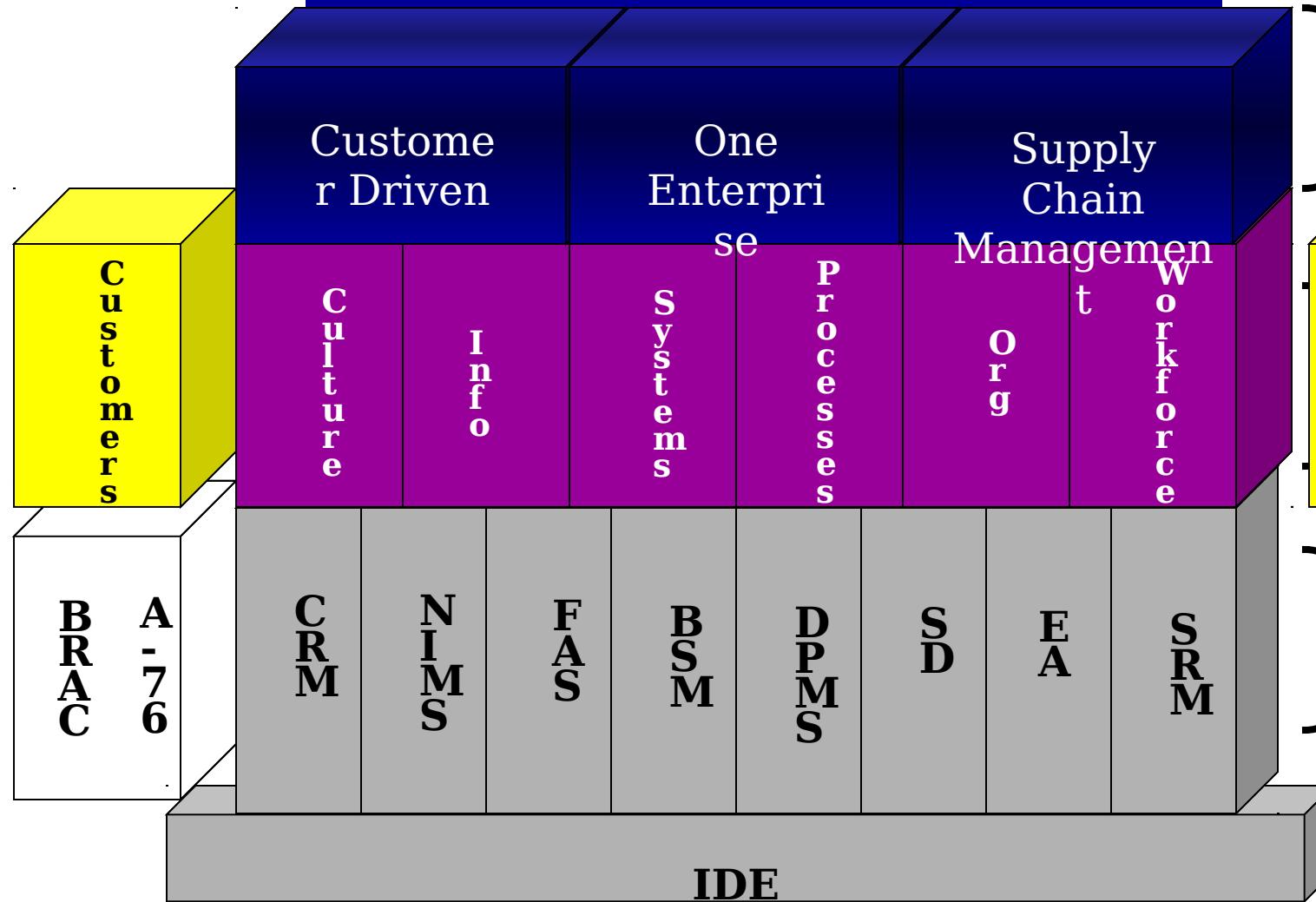
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Core
Business



Business

Enterpri
se
Initiativ
es





The Transformation Roadmap

Plus
A-76
&
BRAC 2005

**Business Systems
Modernization**

National Inventory Management

Strategy Dynamic Materiel Pos

Customer Relations

Mgmt Executive Agent: fuels-

subsistence Supplier Relationship

Workforce Transformation

Integrated Data Environment

Fuels Automated System

**Returning
\$1.8 Billion
to the
Services**

A faint, semi-transparent background image of the United States flag, showing the stars and stripes.

Business Systems Modernization Our ERP & Transformation Backbone

Distribution Planning

Load Planning

Network Warehouse

Management

IT Systems Integrated w/Partners

Manage Vendor & Carrier

Performance

Business

Systems

Modernization

Fulfilment

- Planning
- Tech/Quality
- Financial Management
- Procurement

- Customer Insight
- Customer Service
- Emergent Problem Resolution
- Returns

- Strategic Materiel Sourcing
- Strategic Supplier Alliances
- Supplier Partnering

Customer Relationship Management

Supplier Relationship Management

Management

Systems Architecture (SAP/Manugistics/PD²/Windows 2000)

Common Protocols, Standards, Reference Data, Integrated Data Environment

Technical Architecture

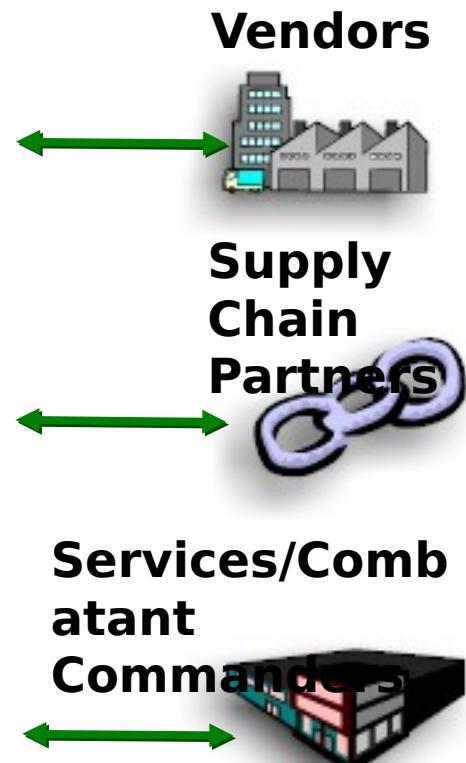
Technical Infrastructure



BSM Technical Blueprint

The Core of DLA's Systems Architecture

BSM Program Primary COTS Componer





Release One

- Proof of concept
- What preparations were right on target
- What preparations required adjustment
- Mitigate risk of mission impact
 - 80% of functional requirements
 - 5% of line items, ... 170,000
 - ~\$300m sales per year
 - ~320k requisitions per year
 - ~150k warehouse shipments per year
 - Fully operational, tested system, trained workforce
 - Full support for existing customer commitments



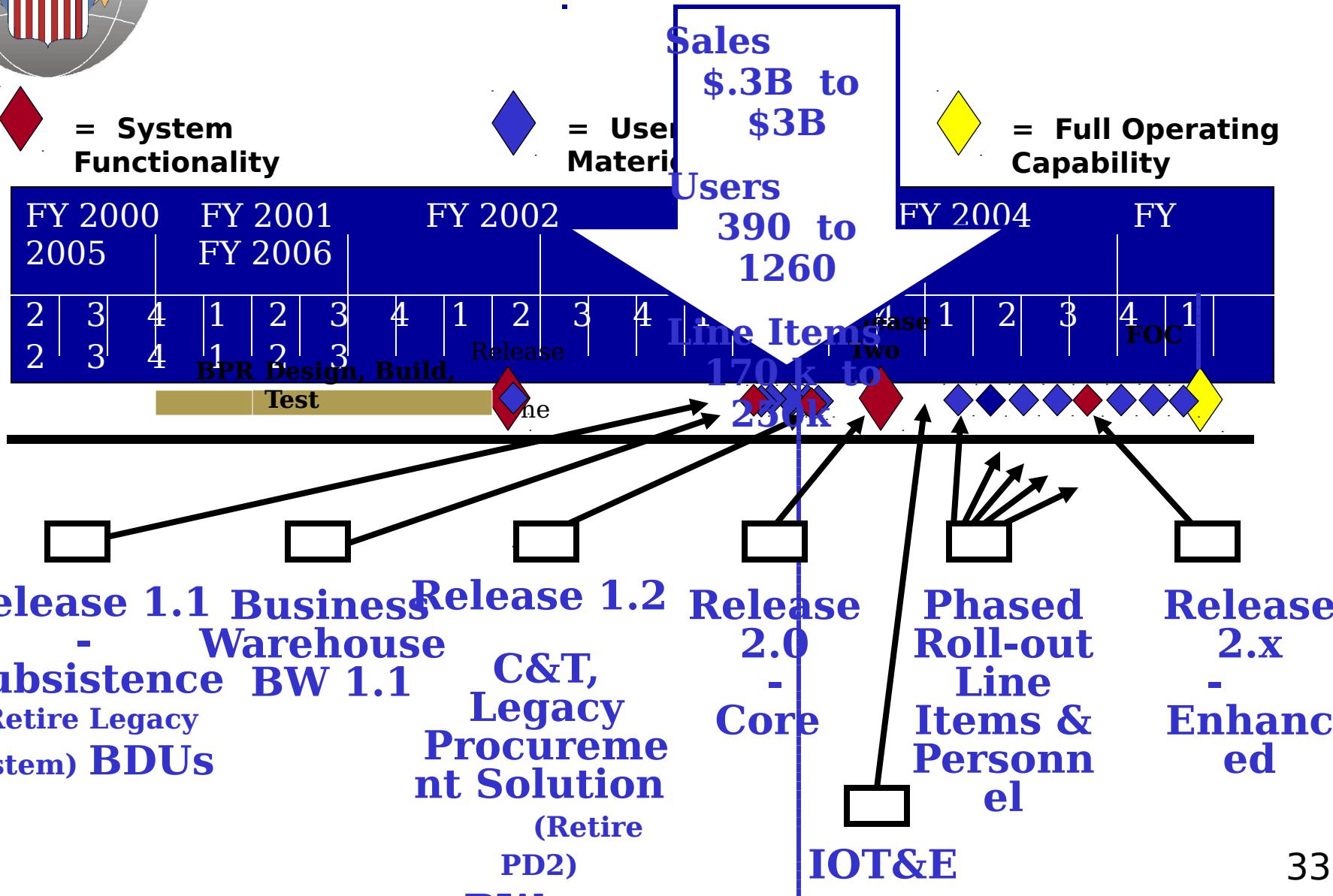
Business Systems Modernization

- ❑ **Successful, ...But**
 - Harder, Longer & More Resources
 - Issues Included: Conversion, System Log-on, Access, Interface, And Responsiveness, Software Configuration and Software-Process Mismatches, COTS Generated Workload, Change Management, Training, Post “Go-live” Support &

Bulk of Investment, Lessons Learned & Time Line are Behind Us



BSM Schedule





Summary

- **DLA Provides Ready and Responsive Support to Our Warfighters**
- **Performance Continues to Exceed Expectations**
- **DLA has a Robust Transformation Strategy which is Now being Executed through a Comprehensive Portfolio of Initiatives**
- **Agency Committed to Delivering this Large Portfolio of Transformational Initiatives And to Sustaining High Levels of Mission Support**
- **2002-2007 Will Be The Most Challenging³⁴**